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SUBJECT: LULA, AMORIM DISCUSS TRADE, CUBA, UNSC REFORM WITH
SENATOR HAGEL

REF: BRASILIA 001218

1.(SBU) Summary: In separate meetings, President Lula and Minister Amorim discussed with Senator Hagel their views on Doha, Brazil,s growing engagement with Cuba, and the need for a multilateralist U.S. approach to international problems. Both Lula and Amorim highlighted common themes, focused on the need for the U.S. to take a more multilateral approach to global problems and expressing the hope that the new U.S. administration will be more willing to work within existing international framework. Both also focused on the changes they perceive in Cuba and how Brazil,s vigorous engagement there will help it achieve what Brazil sees as Cuba,s desire to become more like Brazil than Venezuela. End summary.

2.(U) This cable is the second of five on Senator Hagel,s August 31-September 2 visit to Brasilia and Sao Paulo. Ref A addressed Lula,s and Amorim,s comments on Iran, Venezuela, and their desire for continuity in the bilateral relationship when a new U.S. Administration takes office.

Amorim Discusses Multilateralism, Ethanol Tariff, Cuba

13. (SBU) During an expansive meeting that lasted almost two hours, Minister for External Relations Celso Amorim said that he felt the United States faced a continual dilemma in its foreign policy between unilateralism and multilateralism. He sees a greater tendency lately for the United States to rely on multilateral institutions *- the UN and WTO, in particular -* which is very welcome for Brazil and allows us to cooperate more. Cooperation in Haiti, for example, was only possible because of the UN sanction for the peacekeeping mission there. Amorim is confident the next president*whether Senator Obama or Senator McCain*will be a multilateralist. This will be good for the relationship and good for Brazil, as the United States is Brazil,s largest trading partner and the largest chunk of outward Brazilian investment now goes to the United States. The GOB particularly appreciates U.S. efforts to continue the Doha Round, as there are some issues that are only correctible in a multilateral negotiation. Sen. Hagel responded that Brazil,s leadership in Doha was very much appreciated.

14. (SBU) Minister Amorim raised the U.S. tariff on sugar cane

ethanol, saying it should come down. Senator Hagel said he agreed and that this would occur, but cautioned that agriculture is a cultural and societal issue as much as an economic one. Nonetheless, he sees a gradual shift coming in the entire U.S. agriculture policy with regard to tariffs and trade. When he noted that cattle and poultry producers were being hurt by the high price of corn, Amorim observed that it was interesting that lowering the tariff on ethanol would not be an unmitigated good for Brazil, as lower U.S. prices for cattle and poultry would hurt Brazilian exporters of those commodities.

¶5. (SBU) Ambassador Sobel raised the need to increase bilateral investment between our two countries through a tax information exchange agreement, a tax treaty, and eventually an investment treaty. Amorim said the tax treaty is the place to start, as it might be difficult to gain congressional ratification for an investment treaty.

¶6. (SBU) When General Spears mentioned our interest in more military-military cooperation with Brazil, Amorim cautioned that this required careful explanation, citing the strong reaction to the announcement of the re-establishment of the Fourth Fleet. He suggested it would be important to discuss the issue with key Brazilian senators. (Note: the Brazilian congress was not in session during Senator Hagel's visit, making it impossible to arrange meetings with key members of congress. End note.)

¶7. (SBU) Senator Hagel asked about Amorim's view of Cuba. Amorim described the changes there as irreversible, a

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&Chinese glasnost comparable to the changes in Vietnam. He said he could not understand why the United States could turn around its relations with Vietnam, and not with Cuba. Senator Hagel expressed his view that the U.S. needs to shift its Cuba policy. Amorim replied that he believes the Cuban government would rather be more like Brazil than Venezuela*adding quickly that Brazil and Venezuela are of course not competitors*but that the U.S. embargo and Venezuela's offers of cheap oil are forcing Cuba into a closer relationship with Venezuela.

¶8. (SBU) Senator Hagel asked Amorim about the situation in Argentina. Amorim said that they are experiencing a difficult moment as a result of pursuing unorthodox economic policies. Engaging the GOA is important, he said, praising WHA Assistant Secretary Shannon's recent visit to Argentina as an important, especially as A/S Shannon understands the region well.

¶9. (SBU) Under Secretary for Political Affairs Everton Vargas raised the work going on in the Nuclear Suppliers Group with regard to India, saying that Brazil has been working closely with the United States on this. Amorim noted the important link between non-proliferation and disarmament, saying that it was important to continue working on both issues. Senator Hagel agreed.

¶10. (SBU) Finally, saying that he had to walk a careful line between showing he was interested and appearing obsessed, Amorim raised UN Security Council reform, stressing the importance of U.S. leadership. Senator Hagel agreed that it was important for the make-up of the UN Security Council to reflect present-day realities.

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Talking Growing Involvement in Cuba with Lula Advisor
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¶11. (SBU) Marcel Biato, deputy national security affairs adviser, told Senator Hagel just before the meeting with President Lula that Brazil authorized on August 31 the second tranche of aid in soft loans to Cuba, bringing the total to USD 800 million. He estimated that Brazilian lending to

Cuba could reach a billion dollars. He said their term is 15-20 years and they are like Exim Bank loans.

¶12. (SBU) He said Petrobras, the Brazilian state oil and gas firm, is currently exploring two &strongly promising8 blocks, one off Varadero, the other in the Gulf of Mexico. He said Cuba has an old Russian oil refinery that has been modernized, but Cuba will still need additional spare capacity. He mentioned that about ten years ago Petrobras also had a series of oil and gas projects in Cuba but nothing came of them.

¶13. (SBU) Biato,s impression of Raul Castro is that of a &pragmatist8 looking for ways to provide a &soft landing8 from a transitional period. Biato noted he is &the last of the commanders who came down from the Sierra8 and &no one else has the ability to get the public to bear with him8 in support of &wishy-washy Caribbean socialism.8

¶14. (SBU) Biato told Senator Hagel that at the end of 2008 Brazil will host a Latin American conference dealing with regional integration and Raul Castro may attend. &It could be an interesting moment,8 Biato added.

Lula: Much Work to be Done Together on Africa, Trade, Biofuels

¶15. (SBU) President Lula for his part discussed the problems Brazil faces, but focused on the positive strides the country has made during the past several years. He focused on the youth bulge in demographics, noting that meeting the expectations of all of the world,s young people is a challenge. For two decades, according to Lula, Brazil experienced low development and little income distribution

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and mistaken economic policies. &Today,8 he noted, &is a magical moment for Brazil.8 There is clear movement to the middle class, he added. Brazil, according to Lula, is focused more and more on professional, vocational training. The target, according to him, is 4.5 million young people between 10-15 years old for this training. Brazil, he added, is also using subsidies to attract youth to this training. &It is my conviction,8 he stressed, &that the state must create opportunity and solutions for young people.8

¶16. (SBU) Lula noted two main concerns for Brazil going forward. First, the nonconclusion of the Doha round. The disagreements, according to Lula, pale in comparison to the implications of a successful agreement. &We can resume talks in September,8 he added. Second, the U.S. and European financial crisis. Contradicting earlier public statements he has made to the effect that Brazil is immune to financial turmoil in the U.S., Lula noted that &if the U.S. crisis last much longer and you go into a recession, that can impact developing countries. & So far, he added, &we have been lucky, in part because of China,s and India,s economic growth.8

¶17. (SBU) Echoing a constant theme in all meetings with Brazilian government officials that focus on Brazil,s foreign policy, Lula also touched on the need to reform the United Nations Security Council (UNSC). &This has been very slow,8 he noted. &I said to Bush, & What will be your legacy? Security Council reform is one option.,8 There needs to be an opening, Lula noted. Completing Doha is a second option for Bush,s legacy, according to Lula. &Iraq cannot be your only legacy,8 he said he had told President Bush.

¶18. (SBU) On Africa, Lula noted that he remarked to President Bush, &Europe has forgotten Africa, the U.S. has forgotten Africa, Brazil forgot Africa for 50 years. China has discovered Africa and is active and strong.8 He added that he sees China active in Angola, Ghana, Benin, &wherever

there are raw materials.⁸ He also noted that China's entry to Africa has been a &predatory entrance. To counteract this, Lula noted, &we should have a U.S.-Brazil partnership on Africa.⁸ Africa, he highlighted, has the same climate as Latin America and can produce grain and biofuels. He ended by noting that, &Africa is a prime opportunity for U.S.-Brazil cooperation on agricultural projects to help the world.⁸

KUBISKE